Manitoba
Agriculture
and Food

AGRICULTURAL OUTLOOK 2001

CATTLE AND HOGS

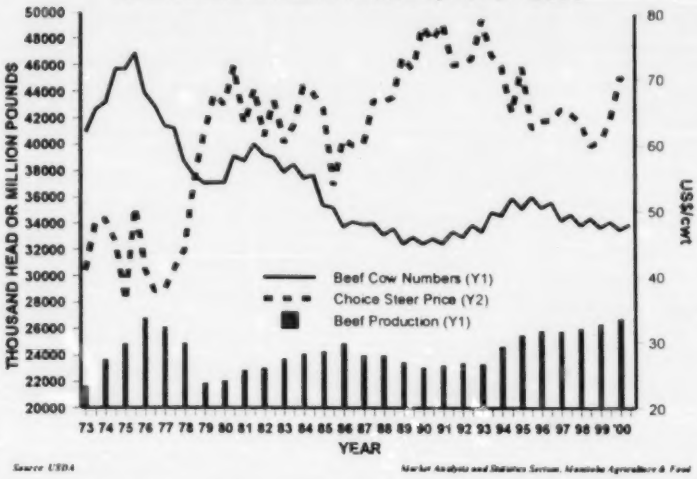
CATTLE SITUATION AND OUTLOOK, 2000-2001

2000 SITUATION:

United States

Even though U.S. beef production in 2000 was more than one percent above the 1999 level, the domestic and export demand for beef was much stronger than anticipated. This led to actual cattle and calf prices similar to those projected for 2000.

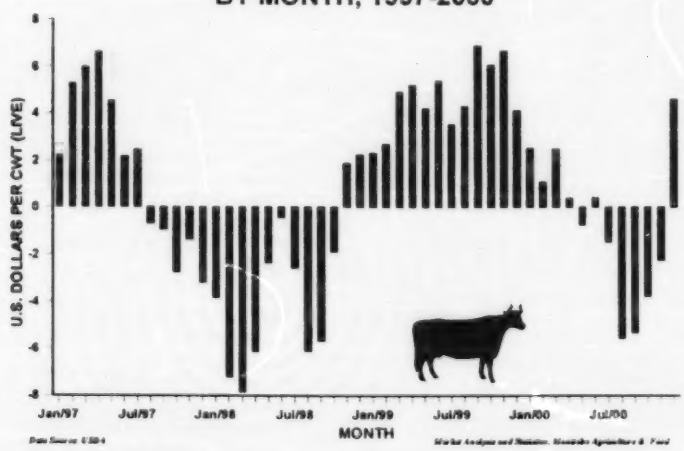
U.S. BEEF COW INVENTORY AND BEEF PRODUCTION vs CHOICE STEER PRICES, 1973 - 2000



The U.S beef cow herd on July 1, 2000 continued to drop by one percent from mid-year 1999. This was the fifth year that the breeding herd had declined. The number of calves in mid-2000 decreased slightly to 30.3 million head, the lowest level since 1995.

Despite fewer feeder cattle and calves to draw from, the number of cattle on feed exceeded year-earlier levels throughout the year (by as much as 11 percent in August) as drought in many cattle-producing areas forced calves into feedlots much earlier than usual.

GREAT PLAINS FEEDLOT ESTIMATED RETURNS BY MONTH, 1997-2000

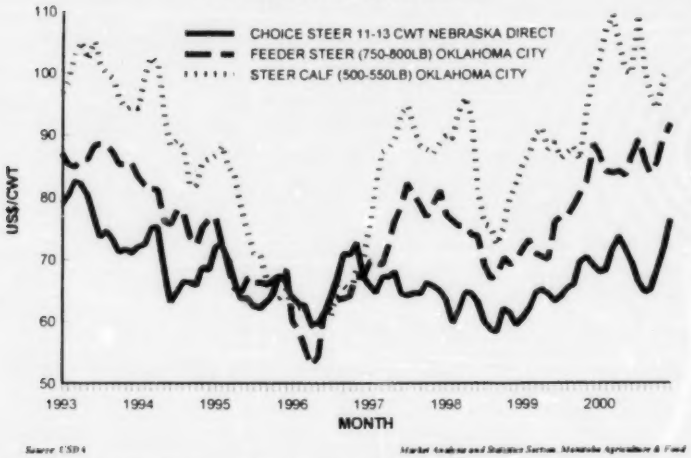


A long period of positive margins from November 1998 to April 2000 also meant feedlot operators were more likely to fill their lots despite the higher prices for replacement animals in 2000. When the shrinking supply of feeders led to fewer cattle placed on feed in late summer and fall, the number of cattle on feed on December 1, 2000 decreased to 2 percent above the level of a year earlier.

Abundant supplies of cheap grain and the need to have more animals grading Choice led feedlot operators to feed their animals to heavier weights. With fewer beef cows in the slaughter mix, the

average carcass weight in 2000 rose by more than one percent to a new record high of 745 lb. A 0.6 percent increase in steer and heifer slaughter was partially offset by a drop of 1.9 percent in total cow slaughter, resulting in a rise of 0.2 percent in total cattle slaughter in 2000. This, together with heavier carcass weights, raised total U.S. beef production by 1.4 percent to a new record of 26.8 billion lb. Prior to 1998, the previous record was in the mid-1970s, when about 30 percent more beef cows were needed to produce a similar quantity of beef. The larger domestic beef supply was augmented by a rise of about 7 percent in *net* imports of beef.

U.S. CATTLE PRICES
BY MONTH, 1993-2000



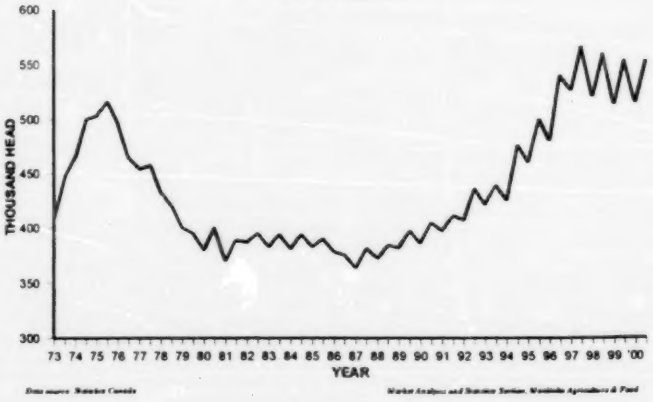
The surge in U.S. cattle prices, which occurred in late 1999, continued in 2000. Choice steer prices in 2000 averaged US$69.60/cwt, over 6 percent above the 1999 level. The higher prices projected for fed cattle later in 2000 and 2001 together with lower feed grain prices encouraged many feedlot operators to pay much higher prices for feeder cattle and calves in 2000 than in 1999. Overall feeder cattle prices in 2000 averaged over 13 percent above 1999 levels. Prices for lighter feeder calves rose more than the heavier feeders in late winter and late summer.

Prices for 750-800 lb feeders increased by 13 percent to average US$86/cwt for the year, while 500-550 lb calf prices increased by 14 percent to average US$102/cwt. By December, steer calf (500-550 lb) prices averaged close to US$100/cwt, similar to the price in December 1999.

Manitoba

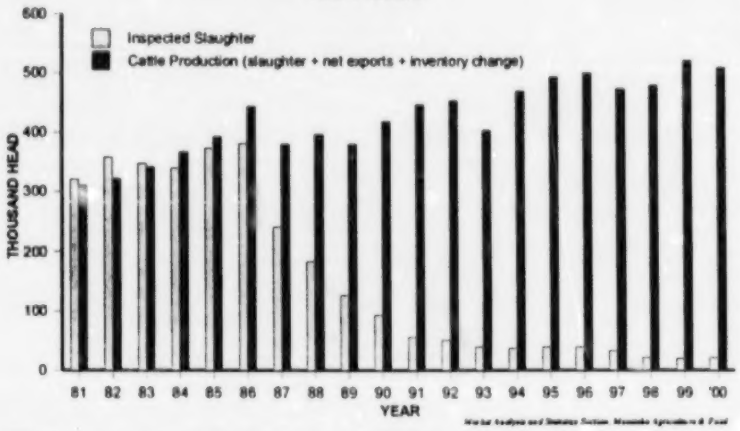
The beef cattle herd expansion, which had occurred over the ten years, 1987-1997, apparently suffered a reversal in the late 1990s *according to Statistics Canada*. By early July 2000, not only was the beef cow herd apparently unchanged from a year earlier at 554,000 head, but the number of replacement

BEEF COWS ON MANITOBA FARMS
1973-2000



heifers had risen by one percent to 82,000 head. The breeding herd of 636,000 head was down by 3.5 percent from the record 659,000 head in 1997, but was 45 percent greater than the small 1986 herd. Calf numbers rose by 0.6 percent from the 1999 level. The high calf prices in fall 1999 prompted local cattle producers to buy fewer calves and cow-calf operators to sell more of their calves rather than retaining them for further feeding in the province, either to yearling, short-keep or slaughter weights. It was estimated that on January 1, 2000, there were 377,000 cattle and calves being backgrounded or finished to slaughter weight in the province, 14 percent fewer than a year earlier.

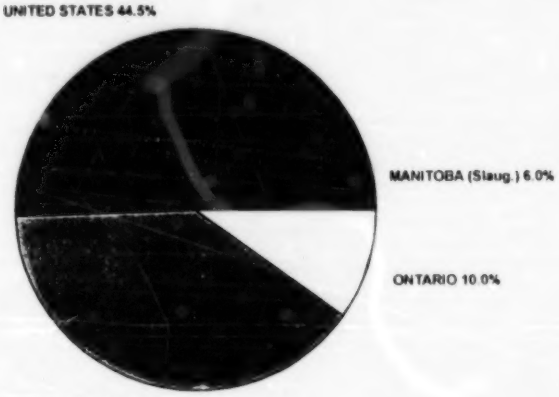
CATTLE PRODUCTION AND SLAUGHTER, MANITOBA
1981-2000



In Manitoba, two small federally-inspected slaughter plants and 25 provincially-inspected plants killed about 18,000 cattle in 2000, 8 percent fewer than the 19,608 head slaughtered in 1999. About 110,000 fed cattle were exported to the United States in 2000, while about 20,000 head were shipped to other provinces. The out-movement of non-fed slaughter cattle was close to 50,000 head. Over 300,000 Manitoba-origin feeder cattle and calves were sold to other provinces and the U.S. in 2000.

In 2000, despite the lower cost of feed, finishing cattle in the province was less profitable than in 1999, mainly because of the record high feeder cattle and calf prices. Although the stronger U.S. market had a direct effect on Manitoba cattle prices, local prices also increased due to the positive effect of a lower-valued Canadian dollar relative to the U.S. dollar, mainly during the second half of 2000.

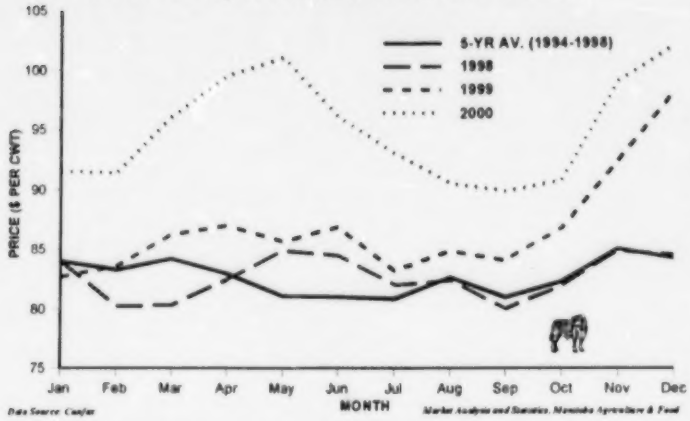
MANITOBA CATTLE*: DESTINATION AND
PERCENTAGE OF CATTLE* MARKETINGS, 2000



* live weight

Average prices for Grade A steers were up by ten percent from the previous year, with the highest monthly-average price of $104/cwt in December. Cattle grading U.S. Choice received premium prices due to the American demand for optimum-weight Choice cattle. Average Grade A steer prices set a new record

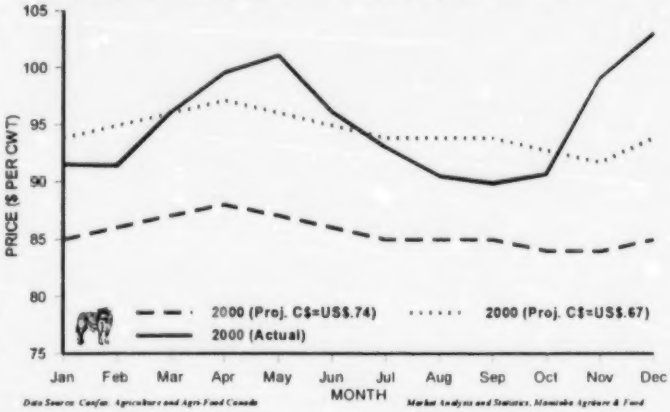
SEASONAL GRADE A STEER PRICES
MANITOBA, 1998-2000 VS 5-YR AVERAGE



of $95.28/cwt in 2000, 5.5 percent above the previous record of $90.34/cwt in 1993. It is interesting to note that as the value of the Canadian dollar in 2000 averaged about 5-10 percent less than had been forecasted by some agencies, local cattle prices were 5-10 percent more than projected.

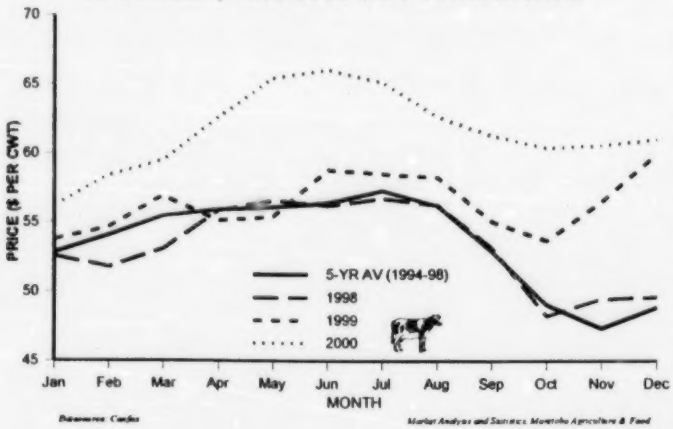
Most Manitoba cull cows and bulls were sold to U.S. plants in 2000. The increase of 9 percent in U.S. slaughter cow prices from 1999 and the weaker Canadian dollar had a positive effect on Manitoba prices. D1,2 cow prices peaked in June at highs of $75.75/cwt for grain-fed cows, but, on average, prices rose by 9.1 percent from $56.40/cwt in 1999 to $61.55/cwt in 2000. Manitoba slaughter cow exports declined in 2000, which could indicate a rise in the breeding herd, but could also be attributed to cow-calf producers selling more calves at the high prices offered and feeding surplus feed grains to cull cows instead.

SEASONAL GRADE A STEER PRICES
MANITOBA, 2000 PROJECTION VS ACTUAL

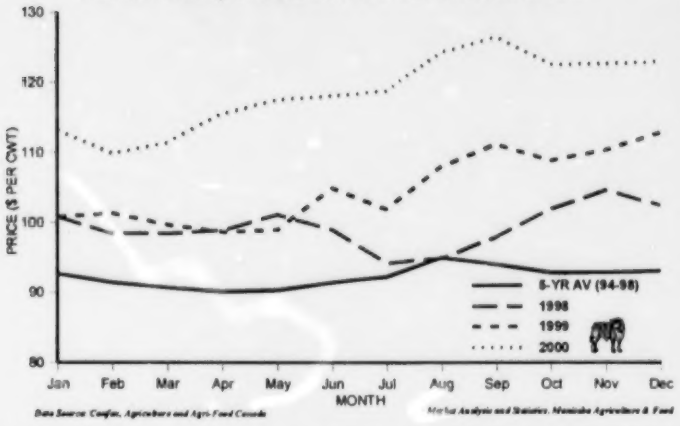


The demand for feeder cattle and calves significantly improved in 2000. The forecast of strong U.S. fed cattle prices together with lower feed costs and continuing low interest rates encouraged producers to purchase feeder cattle and calves, causing prices to rise to record levels. Throughout the year, cattle feeders paid higher than projected prices for replacement animals. As in previous years, there continued to be strong local demand for good-quality "grasser-type" calves.

SEASONAL D1,2 COW PRICES
MANITOBA, 1998-2000 VS 5-YR AVERAGE

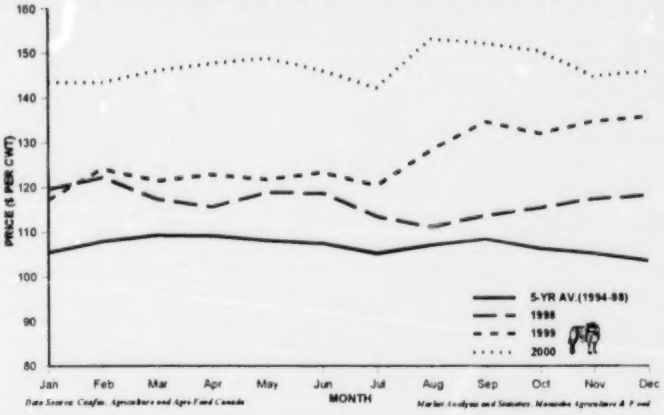


SEASONAL FEEDER STEER (8-900LB) PRICES
MANITOBA, 1998-2000 VS 5-YR AVERAGE



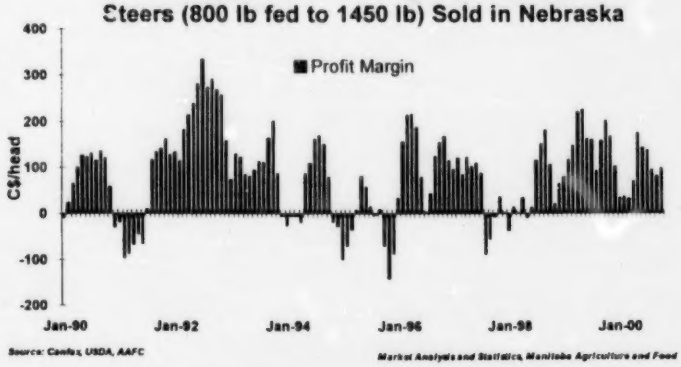
As usual, the desirable types of steer calves received premium prices, but heifer calves and poorer-quality steer calves were discounted less than in 1999. The simple average price for 500-600 lb steer calves in 2000 was $147.74/cwt, 16.8 percent above 1999 levels, while prices for 800-900lb feeder cattle averaged $118.87/cwt, up 13.4 percent from 1999. After two years of a counter-seasonal price rise in the fall, calf prices in 2000 returned to being lower in October and November than in September.

SEASONAL STEER CALF (5-600LB) PRICES
MANITOBA, 1998-2000 VS 5-YR AVERAGE



A Manitoba Agriculture and Food model estimated that returns over all operating, labour and fixed costs for the cow-calf sector were almost $127/calf in 2000 compared to about $79/calf in 1999 and an average loss of $32/calf for the ten years, 1990-1999. As in 1999, the "grassing" sector appeared profitable in 2000. Buying grasser calves in April and selling them as short-keep feeders in September returned an estimated $57/head in 2000. With some exceptions, the high calf prices made purchasing calves for backgrounding unprofitable in early 2000, unlike the situation the previous year. Finishing 800 lb feeders appeared to be profitable in Manitoba if the animals were fed to heavier weights, graded mostly Choice and sold to plants in the U.S., usually Nebraska. The Alberta and Ontario markets in 2000 were relatively unprofitable for Manitoba finished cattle, particularly for those sold at lighter weights (1,250 lb).

MANITOBA FEEDLOT
ESTIMATED COSTS AND RETURNS:
Steers (800 lb fed to 1450 lb) Sold in Nebraska

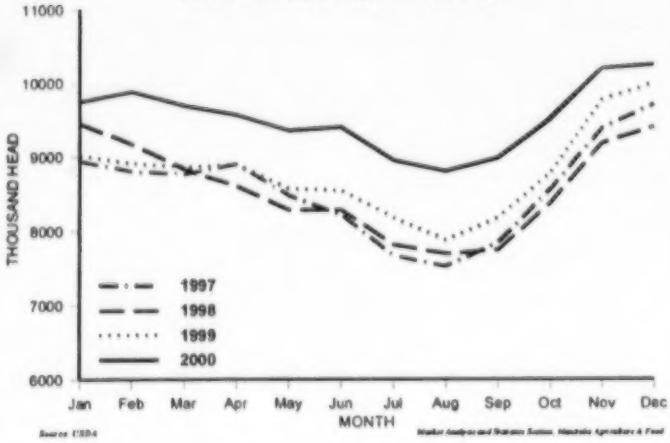


2001 OUTLOOK:

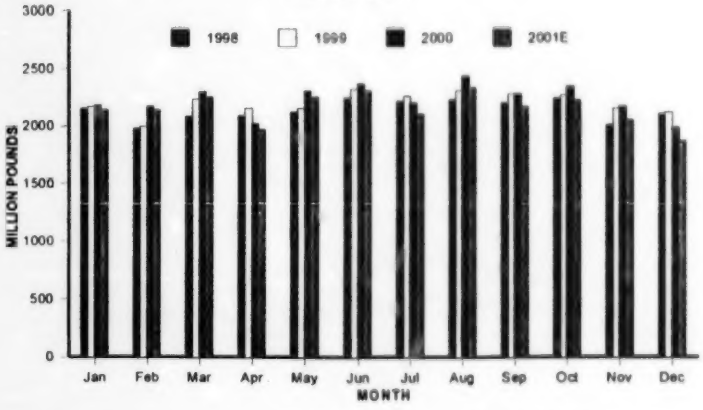
United States

The larger number of cattle on feed in late summer and fall, 2000 is likely to contribute to increased *fed* cattle slaughter in the first half of 2001. However, as this could be more than offset by reduced cow slaughter, it is expected that beef produced during this period will be below the 2000 level. With fewer cattle both in and out of feedlots in early 2001, slaughter is likely to drop further below year-earlier levels in the second half of the year bringing total U.S. beef production in 2001 down to about 25.7 billion lb, about 4 percent less than in 2000. If producers decide to expand their herds in 2001 and heifers are retained for breeding instead of being fed for slaughter, U.S. beef production could be even lower than projected. The U.S. will continue to be a net importer of cattle and beef in 2001. As supplies of beef are expected to be tight in 2001, key to the beef market will be the state of the U.S. economy and how it affects beef demand. If domestic and export demand for beef continue to increase as they did in 2000, retail and wholesale beef prices could rise again in 2001, allowing packers to pay much more for finished cattle when supplies become tight. Conversely, domestic beef consumption may decrease to below 66 lb (retail wt.) per person if a downturn in the U.S. economy, large pork and poultry supplies and relatively low prices for competing meats encourage consumption of chicken and pork instead of beef.

U.S. CATTLE ON FEED, 7 STATES, 1997-2000
(1,000+ capacity feedlots)



U.S. BEEF PRODUCTION BY MONTH
1998-2001



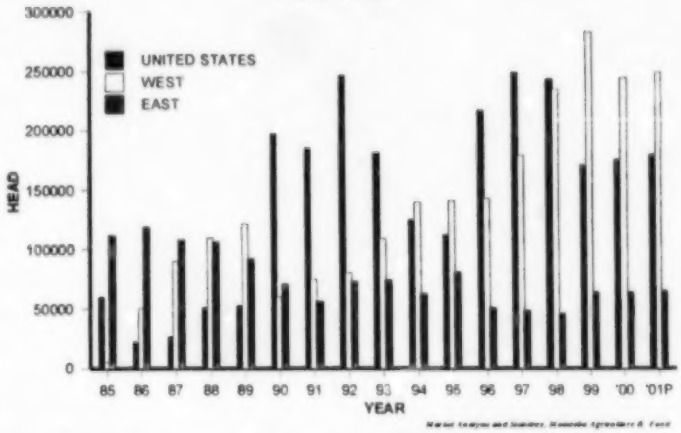
Choice steer prices could average in the US$69-73/cwt range in the first quarter, 2001, rise to US$71-75/cwt in the second quarter, decline seasonally to $69-73/cwt in the third quarter and increase to $70-74/cwt in the fourth quarter. Choice steer prices in 2001

could average in the US$70-74/cwt range, up by 1-6 percent from 2000.

With higher prices for fed cattle and fewer feeder cattle and calves available, feeder cattle and calf prices could be above year-earlier levels, particularly in the first half of 2001, depending on if, and by how much, feed costs increase. Feeder steer (700-800 lb) prices are expected to average US$85-89/cwt in 2001, 0-4 percent above the 2000 average. The number of Mexican stocker cattle imported into the U.S. is expected to continue to rise to supplement the smaller domestic supply of feeder animals. Feeder cattle exports to Western Canada in 2001 under the Northwest Cattle Project may be below the high 2000 levels, while U.S. imports of feeders from Canada will continue to decline.

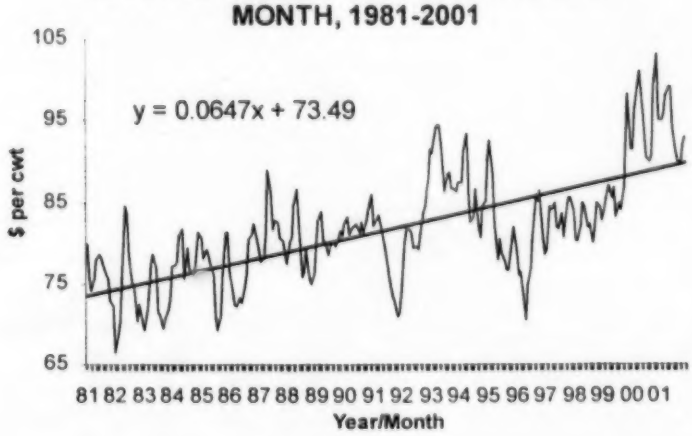
Manitoba

ESTIMATED MOVEMENT OF MANITOBA CATTLE 1985-2001P



Despite 0.6 percent more calves in the province, the probable rise in calf sales in fall, 2000 could mean fewer cattle on farms for further feeding during winter 2001. This could result in a decline in cattle marketings during the year. The provisional countervailing duty on U.S. corn is unlikely to have much impact on prices of local feed grains, which could still be low relative to many other cattle feeding areas due to the higher costs of transportation to out-of-province markets. The value of the Canadian dollar is projected to rise to US$0.67-0.69 in 2001, which would have a negative impact on prices relative to those in 2000, probably more so in the second half of the year. Continued low interest rates will contribute to the profitability of many cattle operations.

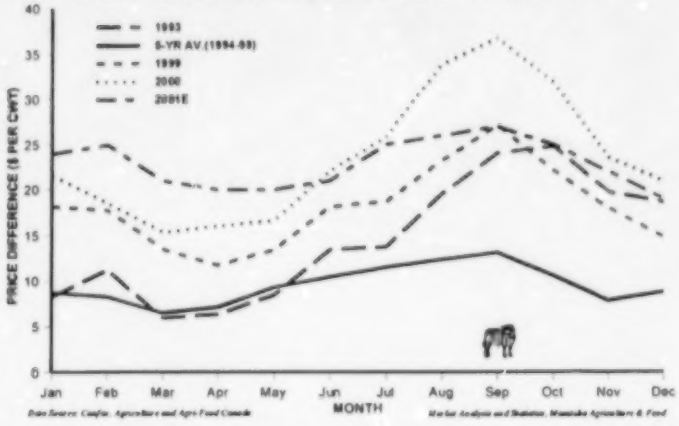
MANITOBA GRADE A STEER PRICES BY MONTH, 1981-2001



Higher Choice cattle prices projected in the U.S. in 2001 could have a positive effect on domestic prices as many of Manitoba's finished cattle will be exported to the United States. A narrower price spread between Choice and Select grades will benefit those cattle marketed with less finish. Manitoba Grade A steer prices could average $93-

97/cwt in 2001, close to the record level in 2000. Average prices could be record high at $94-98/cwt in the first quarter, $95-99/cwt in the second quarter and $92-96/cwt in the second half of 2001. If feed costs remain relatively low and fed cattle prices rise as much as expected, Manitoba feeder steer (800-900 lb) prices could average $113-118/cwt in the first quarter, $115-120/cwt in the second quarter. Prices may decline to $112-117/cwt in the third quarter and $110-155/cwt in the fourth quarter, which would be below relative U.S. prices based on projected increases in the Canadian dollar value. The average price in 2001, at $113-117/cwt, is expected to be 2 to 4 percent below the 2000 level. Calf prices are expected to be down by 2 to 5 percent from 2000 levels to average $140-145/cwt in 2001. A smaller corn crop in the United States in 2001 could raise feed prices, which would reduce the demand for feeder cattle and calves in the second half of the year and result in lower prices than projected. Manitoba cattle slaughter is unlikely to increase in 2001. A rise in U.S. demand for beef will have a positive effect on local cattle prices, regardless of Manitoba's slaughter level. Lower interest rates will impact prices positively.

PRICE DIFFERENCE: FEEDER* - FINISHED STEER
MANITOBA, 1993,1999 - 2001 VS 5-YR AVERAGE



Profitability could return to the Manitoba "backgrounding" sector if calves purchased in October 2000 are sold as yearlings at projected prices of $125/cwt in late winter 2001. Once again in 2001, it appears that in order to maximize profits, cattle finishing operations should plan to sell heavier, Choice-type animals into the U.S. market. Profits will be less likely if finished cattle are sold at lighter weights to the U.S. or at any weight to either the Alberta or Ontario markets, particularly in the first half of 2001.

MANITOBA PRICES FOR GRADE A STEERS, 1998- 2001

	1998	1999	2000	2001E
		$/cwt		
FIRST QUARTER	81.57	84.17	93.00	94-98
SECOND QUARTER	83.83	86.49	98.91	95-99
THIRD QUARTER	81.46	84.04	91.12	92-96
FOURTH QUARTER	83.77	92.43	98.09	92-96
YEAR	**82.63**	**86.78**	**95.28**	**93-97**

MANITOBA PRICES FOR D1,2 COWS, 1998 - 2001

	1998	1999	2000	2001E
		$/cwt		
FIRST QUARTER	52.48	55.13	58.07	56-60
SECOND QUARTER	56.22	56.46	64.69	60-64
THIRD QUARTER	55.38	57.29	63.00	59-63
FOURTH QUARTER	49.11	56.73	60.42	55-59
YEAR	**53.30**	**56.40**	**61.55**	**58-62**

MANITOBA PRICES FOR 800-900 LB FEEDER STEERS, 1998 - 2001

	1998	1999	2000	2001E
		$/cwt		
FIRST QUARTER	99.26	100.66	111.50	113-118
SECOND QUARTER	99.68	100.89	117.13	115-120
THIRD QUARTER	95.71	107.07	123.22	112-117
FOURTH QUARTER	103.02	110.73	123.62	110-115
YEAR	**99.42**	**104.84**	**118.87**	**112-117**

MANITOBA PRICES FOR 500-600 LB STEER CALVES, 1998 - 2001

	1998	1999	2000	2001E
		$/cwt		
FIRST QUARTER	119.73	120.94	144.50	143-148
SECOND QUARTER	117.77	122.70	147.63	143-148
THIRD QUARTER	112.79	127.91	149.38	139-144
FOURTH QUARTER	117.08	134.36	149.45	135-140
YEAR	**116.84**	**126.48**	**147.74**	**140-145**

December, 2000

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MANITOBA BEEF CATTLE PRODUCTION AND MARKET DATA, 1991-2001

	Slaughter Cattle Sales[a] (Man. Origin)	Federal/ Provincial Cattle Slaughter	Average Dressed Weight	Beef Production	Average Price of Grade A Steers	Winnipeg Average Retail Price of Beef[E]	Canadian Per Capita Consumption of Beef (dressed)	Average Price of Feeder Steers 800-900 lb	Average Price of Feeder Calves 5-600 lb	Average Price of D1,2 Cows
	(000 head)	(000 head)	(lb)	(mln. lb)	($/cwt)	($/lb)	(lb)	($/cwt)	($/cwt)	($/cwt)
1991	176.8	55.8	619.4	34.6	77.66	3.06	76.7	92.81	110.17	57.05
1992	212.0	50.8	621.0	31.5	81.35	3.02	74.7	89.70	108.50	57.17
1993	194.0	38.6	629.7	24.3	90.34	3.17	71.6	104.78	125.41	63.89
1994	203.0	37.3	650.0	24.2	85.83	3.40	72.8	101.84	126.32	61.53
1995	200.0	38.9	660.0	26.0	82.00	3.35	73.0	89.33	106.88	53.82
1996	275.0	39.8	650.0	25.8	78.69	3.25	72.1	75.91	79.91	47.22
1997	262.0	31.2	670.0	21.0	82.70	3.30	71.2	94.38	106.41	51.91
1998	261.0	20.4	670.0	13.6	82.63	3.30	70.5	99.42	116.84	53.30
1999	233.0	19.6	665.0	13.0	86.78	3.40	71 2	104.84	126.48	56.40
2000[P]	200.0	18.0	665.0	12.0	95.28	3.70	70.0	118.87	147.74	61.55
2001[E]	205.0	18.0	665.0	12.0	95.00	3.75	70.0	116.00	144.00	60.00

MANITOBA HOG PRODUCTION AND MARKET DATA, 1991-2001

	Hog Sales[a] (Man. Origin)	Federal/ Provincial Hog Slaughter	Average Carcass (dressed) weight	Pork Production (dressed)	Average Index 100 Hog Price	Winnipeg Average Retail Price of Pork[E]	Canadian Per Capita Consumption of Pork (dressed)	Average Hog Index	Average Price of No.1 Sows (dressed)	Hog Barley Ratio (Wpg)
	(000 head)	(000 head)	(kg)	(mln. kg)	($/100kg)	($/kg)	(kg)		($/100kg)	
1991	2,092.1	1,967.6	80.3	158.0	138.00	4.95	25.9	105.7	97.00	36.71
1992	2,280.0	2,092.0	80.1	167.6	126.30	4.72	28.4	106.1	97.00	31.31
1993	2,305.0	1,856.3	81.5	151.3	149.80	5.60	27.6	107.0	113.00	39.94
1994	2,383.0	2,021.6	82.6	167.0	139.00	5.30	28.4	108.1	98.00	31.28
1995	2,834.0	2,000.7	82.3	164.0	146.00	5.30	27.8	108.4	100.03	22.61
1996	3,105.0	1,938.0	81.9	160.0	182.90	6.00	25.9	108.9	142.40	22.24
1997	3,400.0	2,076.2	84.0	175.0	182.00	6.00	25.3	108.5	150.93	30.26
1998	3,970.0	2,820.8	86.7	244.6	120.60	5.90	27.0	108.8	81.31	22.94
1999	4,760.0	3,073.0	89.3	274.4	125.00	5.90	27.4	109.8	83.71	25.31
2000[P]	5,300.0	4,000.0	89.5	358.0	167.00	6.30	28.0	110.0	130.39	33.88
2001[E]	5,600.0	4,600.0	89.8	413.0	152.00	6.20	28.5	110.0	119.00	24.30

SOURCES: Agriculture & Agri-Food Canada, Statistics Canada, Manitoba Pork est., Manitoba Agriculture and Food. [P] Projection [E] Estimated [a] Includes exports

HOG SITUATION AND OUTLOOK, 2000-2001

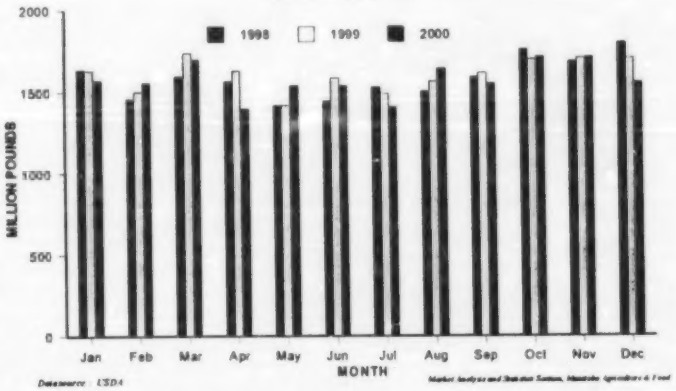
2000 SITUATION:

United States

Reduced hog marketings and improved demand for pork led to significantly higher hog prices in 2000 than forecast.

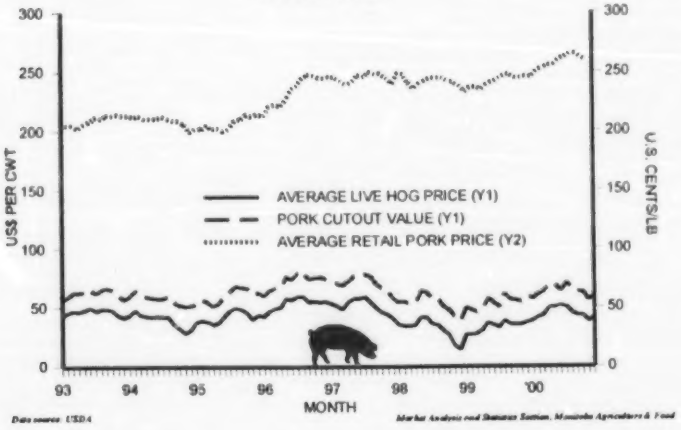
American hog slaughter declined by two percent in the first quarter, 2000, dropping to five percent below year-earlier levels in the second quarter and by 3-4 percent for the rest of the year. An abundance of cheap feed led producers to feed hogs to heavier market weights. Even with dressed weights up by almost two percent, U.S. pork production in 2000 was 2.1 percent below the 1999 level.

U.S. PORK PRODUCTION BY MONTH
1998-2000



Improved domestic and export demand for pork in 2000 raised pork cut-out values by about 19 percent. Packers had to reduce profit margins to get the hogs they needed, which resulted in a 32 percent increase in hog prices for the year. Retail pork prices in 2000 reached a new record, five percent above the previous record in 1997, but on average up by only 7 percent from 1999. Buoyed by increased profits at the farm level, hog producers increased their herds during the year. By December 1, 2000, the number of sows and the total number of hogs had risen to almost one percent above the 1999 level. The trend to larger-scale and more efficient hog operations has led to higher conception rates, which in turn has meant fewer breeding

U.S. HOG AND PORK PRICES BY MONTH
1993- 2000

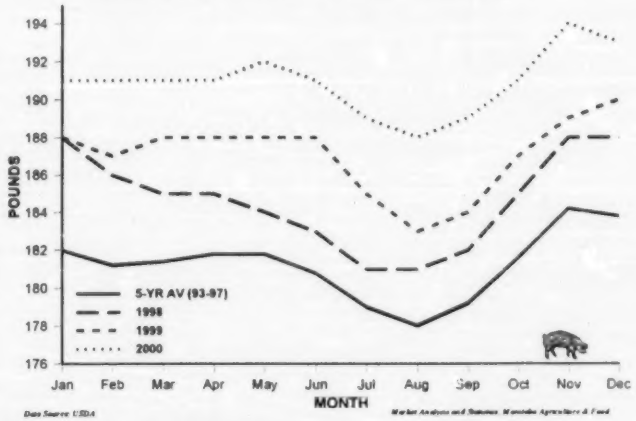


sows are needed to produce the same number of pigs. The average number of pigs per litter has continued to increase steadily over the past twenty-two years from 7.04 in 1979 to 8.79 in 1999 and 8.84 in 2000, a rise of one percent a year. Increasing sow numbers in 2000 meant that the pig crop in the second half of the year was up by almost one percent from the year before with farrowing intentions for December 2000 to February 2001 up by 4 percent.

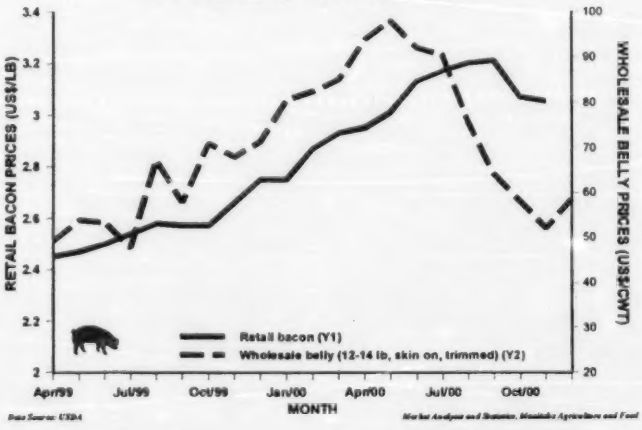
HOGS ON U.S. FARMS
BY QUARTER 1974-2000

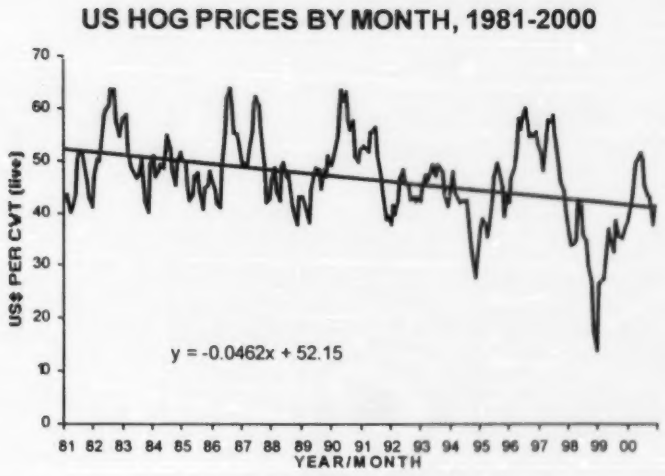
During the past two years, the United States has imported 3-4 percent of total hogs marketed. All of the imports came from Canada. However, the country continued to be a net exporter of pork in 2000, with exports mainly going to Japan, Mexico, Canada, Hong Kong and South Korea. Despite a significant increase in pork exports to Mexico, total exports of pork in 2000 could be slightly below the 1999 record. The U.S. domestic demand for pork exceeded expectations throughout the year, particularly for pork bellies and bacon. In fact, over the ten-year period, 1991-2000, fast food bacon usage has more than doubled. U.S. packing plants were killing well below slaughter capacity until the fourth quarter, when weekly rates rose to 2.0-2.1 million head for some weeks. In

BARROW AND GILT DRESSED WEIGHT
U.S., 1998 - 2000 vs 5-YR AVERAGE



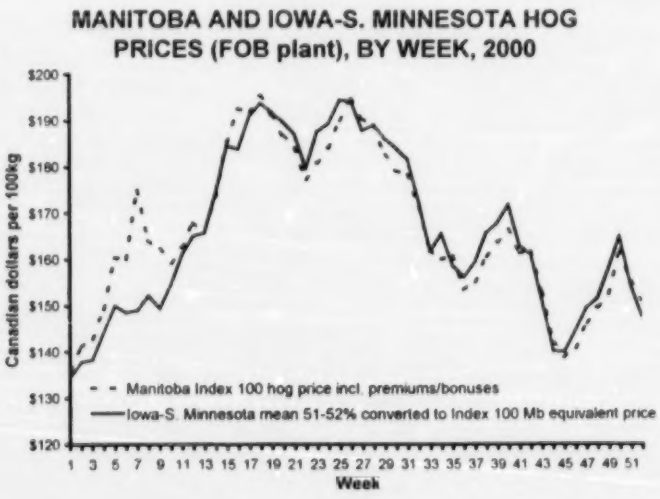
BACON AND BELLY PRICES, U.S.
BY MONTH, 1999 AND 2000





late October - early November, hog prices declined seasonally when hog sales increased after harvesting was finished. Average Iowa-S. Minnesota hog prices (mean, 51-52% lean) rose from US$41.11/cwt (live) in the first quarter to US$50.43/cwt in spring. Hog prices declined seasonally to US$46.43/cwt in summer and again in the fall. The fourth quarter average price was almost US$41/cwt, about 12 percent higher than year-earlier levels and about US$3-4/cwt above USDA's estimated breakeven price for North Central hog farrow to finish operations. The average price in 2000 was about US$44.70/cwt, up by 32 percent from US$34/cwt in 1999, 5 percent above the five-year average of US$42.64/cwt and similar to the ten-year average of US$44.86/cwt.

Higher hog prices and lower feed costs than in 1999 raised profitability of hog operations in 2000, particularly in the first seven months of the year. Herd expansion, which normally occurs after a period of positive returns, did not take place to the extent expected in 2000. Sow numbers only started to increase in the fourth quarter. Due to a projected oversupply of hogs in the fourth quarter of 2001, hog producers were cautioned not to expand their herds.

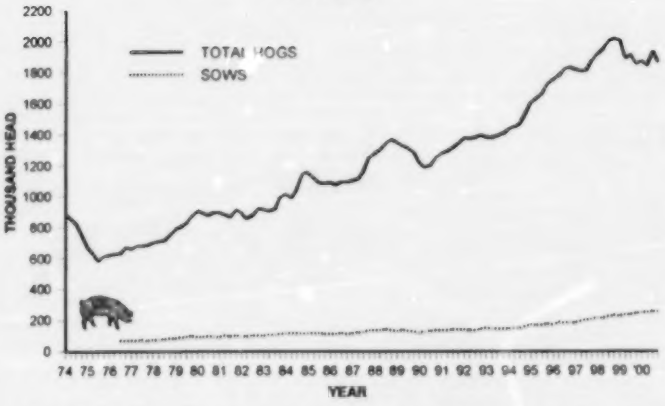

MANITOBA AND IOWA-S. MINNESOTA HOG PRICES (FOB plant), BY WEEK, 2000
Canadian dollars per 100kg
Manitoba Index 100 hog price incl. premiums/bonuses
Iowa-S. Minnesota mean 51-52% converted to Index 100 Mb equivalent price
Week

Manitoba

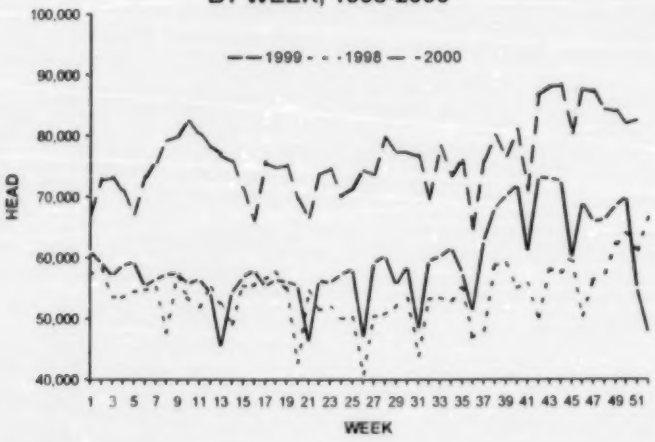
The strong U.S. hog prices were compounded by a lower-valued Canadian dollar and cheap feed in 2000, which enabled Manitoba hog operations to show excellent profits for the year. The trend to higher-quality, heavier hogs also helped raise hog returns, which encouraged continued expansion of Manitoba's hog breeding herd.

Despite a decline in the total number of hogs on farms due to more weanling exports than a year-earlier, the breeding herd increased by 4.7 percent to a record 254,000 sows and 9,800 boars on October 1, 2000. There were about 5.3 million hogs marketed in the province in 2000, of which over 2.2 million head, including about 1.4 million weanlings and feeder pigs, were exported to the U.S. and about 45,000 head shipped to Ontario. Maple Leaf Pork's (MLP) state-of-the-art hog slaughter plant in Brandon, which opened in September 1999, helped increase weekly hog slaughter in the province to over 82,000 head by mid-March 2000. The following month, slaughter was reduced by MLP to four days per week and the plant only returned to a five-day kill in mid October. By the end of October, slaughter levels in the province had increased to a record of more than 88,000 head per week. Expanded hog slaughter capacity at the J.M. Schneider, Springhill Farms and Best Brand Meats' plants in 1999 contributed to the record slaughter level in 2000. During the year, over 865,000 hogs were brought in from Alberta, Saskatchewan, B.C. and

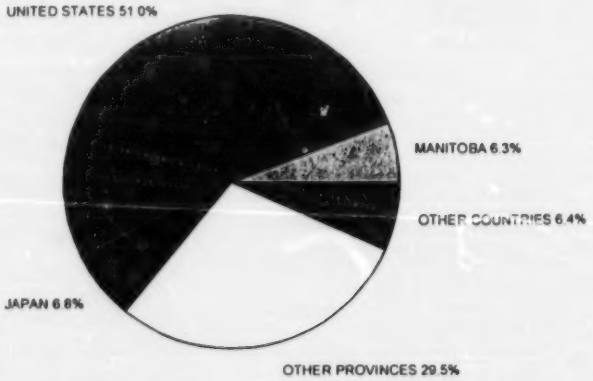
HOGS ON MANITOBA FARMS BY QUARTER 1974-2000



HOG SLAUGHTER IN MANITOBA BY WEEK, 1998-2000



MANITOBA HOGS*/PORK: DESTINATION AND PERCENTAGE OF HOG* MARKETINGS, 2000



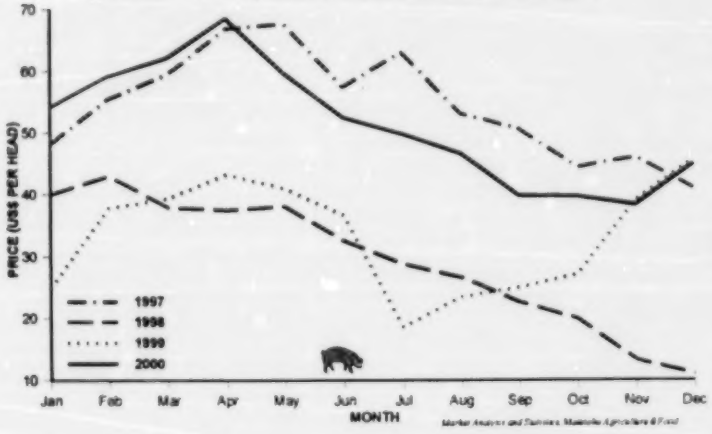
* Converted to carcass equivalent

Market Analysis and Statistics, Manitoba Agriculture & Food

Ontario to be slaughtered at Manitoba plants. Manitoba-origin hogs slaughtered in Canada totalled close to 3.1 million head, while federal and provincial inspected slaughter in the province rose by 30 percent to almost 4 million head. Many of the slaughter hogs and weanlings exported to the United States, and to a much lesser extent Ontario, potentially were available for slaughter in the province if required.

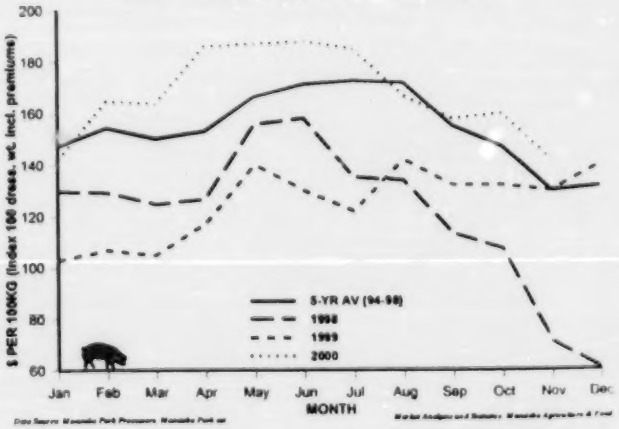
The average carcass weight of Manitoba hogs continued to increase in 2000 to over 89 kg. Packers killed a larger percentage of hogs in heavier weight ranges than in previous years with no price penalty.

SEASONAL WEANLING (50-60LB) PRICES
SIOUX FALLS, SOUTH DAKOTA, 1997-2000



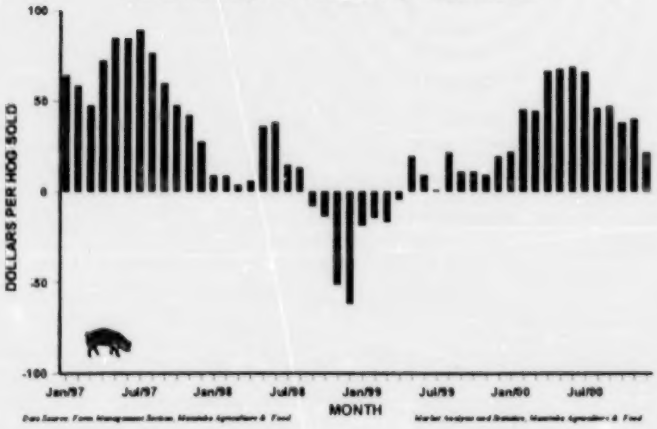
Manitoba is now the second largest pork-exporting province after Quebec. Pork exports were about 50 percent higher in 2000 than 1999. As Manitoba exported about 94 percent of the hogs produced in the province, either live or as pork, markets in the United States, and to a lesser extent, Ontario and Quebec, have had a significant impact on Manitoba hog prices. After July 1, 1996, when flexible hog marketing was introduced in Manitoba, average slaughter hog prices (cost of buying hogs FOB plant) were obtained directly from the four major processors. As pork processors use different pricing grids, specifications for a base Index 100 hog at one plant are different from those for the base hog at another plant. So comparing Index 100 hog prices among plants and calculating an average index for the province is no longer meaningful. However, the industry still uses an average Index 100 hog price, so this has been derived by dividing the average slaughter price by an average index of 110 and quoted on an Index 100

MANITOBA SEASONAL HOG PRICES
1998- 2000 VS 5-YR AVERAGE



basis (carcass weight including premiums/bonuses). Premiums of $3/head for hogs in desirable weight ranges, premiums for specific lean-to-fat ratios, loin eye premiums and increments for hogs grading over Index 100, enabled producers to receive higher prices for quality animals.

AVERAGE NET RETURNS PER HOG SOLD, MANITOBA, BY MONTH, 1997-2000



Influenced by the strong U.S. market, Manitoba Index 100 hog prices (dressed weight, including premiums), at $157/100kg ($71.22/cwt) and $187/100kg ($84.82/cwt) for the first and second quarters, 2000, respectively were 50 and 45 percent above year-earlier levels. Hog prices in the third and fourth quarters declined to an average of $170/100kg ($77.11/cwt) and $153/100kg ($69.40/cwt) respectively, up by 29 and 14 percent from 2000 levels. In early May and early July 2000, average hog prices were at their highest level for the year at $195/100kg ($88.45/cwt). The annual average Index 100 hog price (including premiums) for 2000, at close to $167/100kg ($75.75/cwt), was 33 percent above the 1999 average price of $125/100kg ($56.70/cwt).

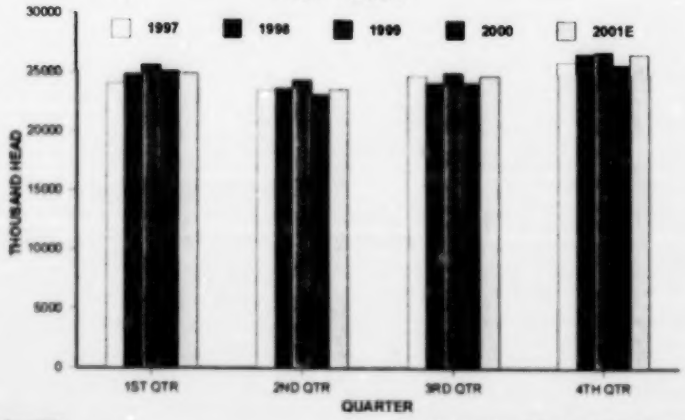
2001 OUTLOOK:

United States

The December 1, 2000 hog inventory report showed that the U.S. breeding herd is slowly expanding. The total number of hogs on farms as well as the number of breeding sows and gilts and market hogs were all up by less than one percent from 1999 levels. There were 0.7 percent fewer hogs in the 180 lb and over categories, but 1.7 percent more in the 119 lb and under range. There could be a slight decrease in hog slaughter in the first quarter 2001. A two percent increase in the September to November 2000 pig crop will be noticed in the second quarter 2001 when the finished animals come to market. If farrowing intentions for the first half of 2001 actually occur as intended, then hog slaughter could rise to about 3-4 percent above year-earlier levels in the second half of 2001. It is possible that hog sales could reach close to 2.1

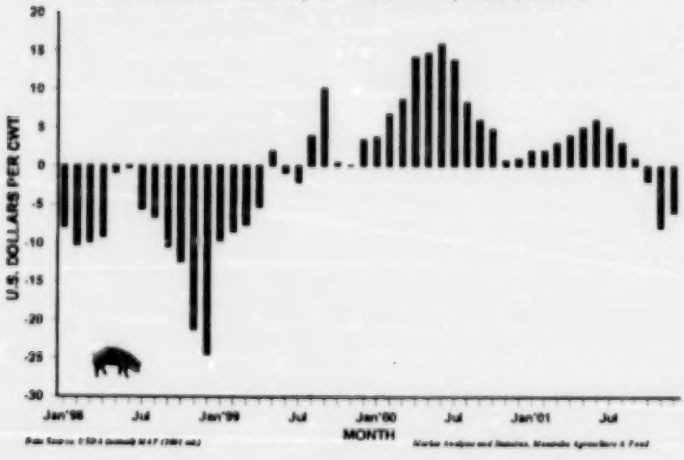
million head for some weeks in the fourth quarter, which could challenge slaughter capacity. With an overall 2-3 percent increase in pork production in 2001, hog prices are expected to be below 2000 levels from the second quarter on. However, the level of export and U.S. domestic demand again will be key to utilising the large supply of pork and in determining hog prices. Increased bacon and loin-cut consumption in the first half of 2000 was one of the main factors driving up wholesale pork prices, but will the situation be repeated in 2001? Exports of pork to Japan and Mexico are expected to continue to rise above year-earlier levels for most of 2001 if the local economies continue to strengthen. There may be greater opportunities to increase exports of lower-valued cuts to China/Hong Kong.

U.S. COMMERCIAL HOG SLAUGHTER
1997 - 2001



Iowa-S. Minnesota (51-52% lean, mean) hog prices are expected to average US$39-43/cwt (live) (US$53-58/cwt lean carcass) in first quarter 2001, rising seasonally to US$41-45/cwt (live) (US$55-61/cwt lean carcass) in the second quarter, but declining in the third quarter to US$38-42/cwt (live) (US$51-57/cwt lean carcass). If an increase in hog marketings occurs as projected in the fourth quarter, hog prices could fall to an average of US$33-37/cwt (live) (US$45-50/cwt lean carcass) or lower. Futures prices allowed positive margins to be locked in for most hog operations for at least the first three-quarters of the year. Weak hog prices could result in negative net margins during the last quarter 2001.

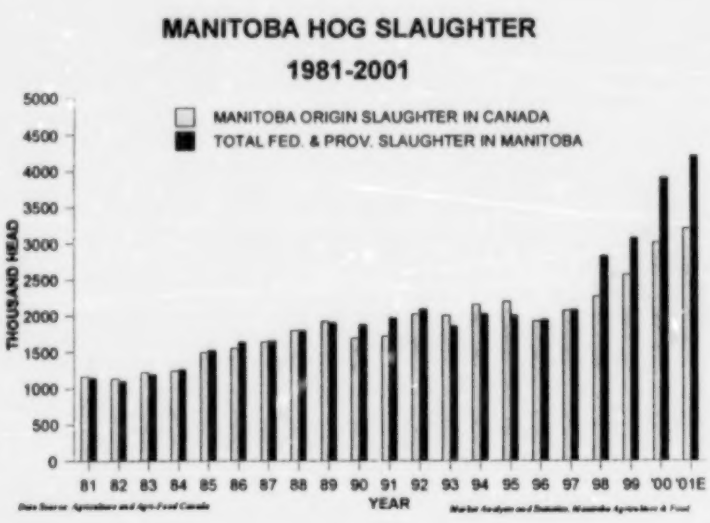
NET MARGINS U.S. N. CENTRAL HOG OPERATION
FARROW-FINISH, BY MONTH, 1998-2001

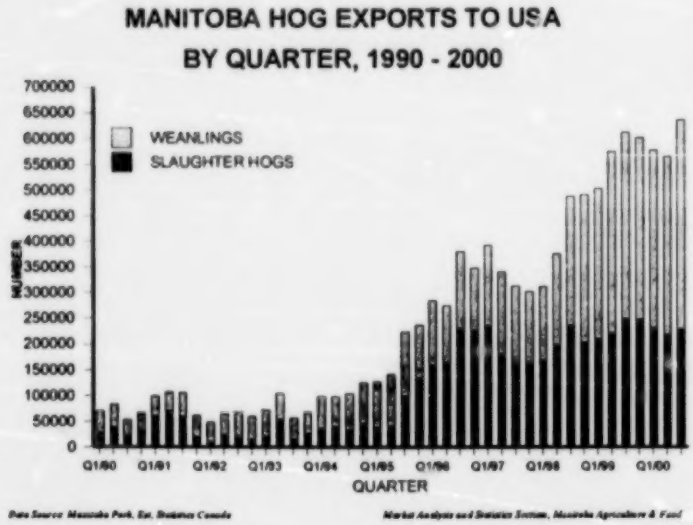


U.S. packers are likely to drop their bids for hogs by more than is warranted by the rise in hog marketings at any sign of oversupply so the prices forecasted could be optimistic. Obviously the reverse is possible as evidenced by the significant rise in hog prices in mid 2000. Hog prices could average in the US$38-42/cwt (live) range (US$51-57/cwt lean carcass) in 2001, down 6-15 percent from the average price of US$44.70/cwt in 2000.

Manitoba

The impact of the weaker U.S. hog market on Manitoba hog prices is not expected to be offset by further declines in the value of the Canadian dollar in 2001. Lower hog prices, higher energy costs and possible higher localized feed costs, due partly to fusarium-infected feed grains and partly to the effect of the provisional Canadian-imposed corn-countervailing duty, are likely to reduce the profitability of Manitoba hog operations in 2001. However, the large positive returns in 2000 could encourage continued expansion of Manitoba's hog breeding herd in 2001. Manitoba hog sales could rise by 6 percent to about 5.6 million hogs in 2001. The number of hogs slaughtered in Manitoba plants could increase by 15-16 percent to 4.6 million head due to Maple Leaf Pork's Brandon plant reaching a steady full one-shift production in 2001. In addition, Best Brand's plant could also increase slaughter levels if more

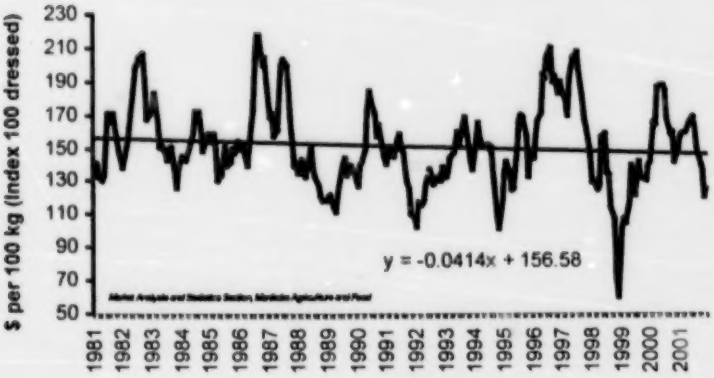




hogs are required by J.M. Schneider's Winnipeg pork processing plant. Plants also may have more Saturday "kills". Weanling exports to the U.S. could increase in 2001 if relatively higher feed costs in the province and relatively lower profit margins for Manitoba hog feeding operations encourage U.S. feeder-finishers to pay more for weanlings than local buyers. Due to increased demand for slaughter hogs in the province, there are likely to be fewer Manitoba-origin hogs slaughtered in plants in the United States in 2001. It is possible that the co-operative arrangement between Maple Leaf Pork (MLP) and The Landmark Group, which includes Elite Swine Inc., will result in more Elite Swine export hogs being redirected to the Maple Leaf Pork plant. Slaughter hogs will continue to be brought in from Alberta, Saskatchewan and other provinces to meet the needs of Manitoba plants. If large hog-producing neighbouring states receive pseudorabies-free status, there is potential for a sufficient volume of American hogs to be imported by Manitoba plants to fill slaughter requirements.

The two major factors, which will continue to influence local hog prices, are U.S. hog prices and the Canada-U.S. dollar exchange rate. The dollar is expected to rise to the US$0.67-0.69 range in 2001, up from US$0.67 in 2000 and US$0.674 in 1999. A higher-valued dollar would result in lower local hog prices, as long as Manitoba hog prices continue to be influenced by the U.S. market. Increased domestic packer competition for Manitoba hog supplies is likely to continue to have a positive effect on hog prices in 2001, particularly for producers who have supply contracts with one of the major packers. The need for high-quality, heavier hogs, mainly to supply pork to expanding export markets, will continue to encourage local packers to pay price premiums and bonuses.

MANITOBA INDEX 100 HOG PRICES, BY MONTH, 1981-2001P



With the average Iowa-Southern Minnesota hog price (51-52% lean) projected in the US$38-42/cwt (live) range (US$51-57/cwt lean carcass), Manitoba Index 100 hog prices (including premiums) could average in the $147-157/100kg range or $67-71/cwt (carcass weight) in 2001, down by 6-12 percent

from the previous year, but up by 0.5 and 3.6 percent from the five- and ten-year averages of $151.30/100kg ($68.63/cwt) and $146.66/100kg ($66.52/cwt) respectively. First quarter prices could be in the $153-163/100kg ($69-74/cwt) range, second quarter prices could rise to $161-171/100kg ($73-78/cwt) with prices of $147-157/100kg ($67-71/cwt) in the third quarter and $130-140/100kg ($59-64/cwt) in the fourth quarter.

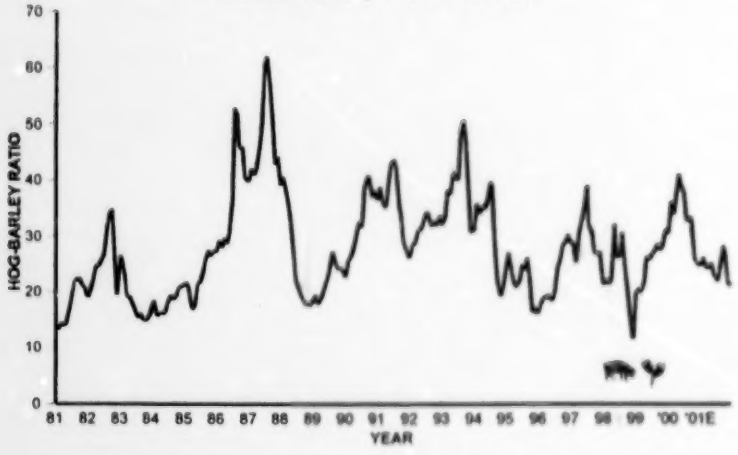
MANITOBA PRICES FOR INDEX 100[a] HOGS, 1998– 2001

	1998	1999	2000*	2001E
		$/100kg		
FIRST QUARTER	128	105	157	153-163
SECOND QUARTER	147	129	187	161-171
THIRD QUARTER	128	132	170	147-157
FOURTH QUARTER	80	134	153	130-140
YEAR	**121**	**125**	**167**	**147-157**

* preliminary E- estimates [a] Includes premiums and bonuses

The hog-barley ratio is the number of bushels of No.1 feed barley equal in value to 100 lb of Index 100 live hog, with the barley and the hogs priced in Winnipeg. If the hog-barley ratio is any indication of profitability in the hog sector, then it appears that feeding barley to hogs in 2000, on average, was more profitable than in 1999. With higher feed and energy costs in 2001 and lower hog prices, profits from feeding hogs in 2001 will be well below the 2000 level, particularly in the fourth quarter.

CYCLICAL CHANGES IN THE HOG-BARLEY RATIO
MANITOBA, 1981 - 2001



December, 2000

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